

Department of the Navy



Guide for Reviewing
Cost Estimates
Prepared Under the
Commercial Activity Program

14 July 1999

Naval Audit Service

List of Acronyms

CA:	Commercial Activity
CCF:	Cost Comparison Form
CMC:	Commandant of the Marine Corps
CNO:	Chief of Naval Operations
DOD:	Department of Defense
FICA:	Federal Insurance Contribution Act
FTE:	Full Time Equivalent
GFE:	Government Furnished Equipment
GFM:	Government Furnished Material
GS:	General Schedule
IRO:	Independent Review Officer
ISSA:	Interservice Support Agreement
MEO:	Most Efficient Organization
NAVAUDSVC:	Naval Audit Service
OMB:	Office of Management and Budget
OPNAV:	Office of the Chief of Naval Operations
PWS:	Performance Work Statement
QASP:	Quality Assurance Surveillance Plan
QAE:	Quality Assurance Evaluator
UR:	Under Revision
WG:	Wage Grade

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Section A

Introduction

1. Purpose. The purpose of this guide is to provide uniform procedures and guidance to Department of the Navy or contractor personnel performing independent reviews of cost estimates prepared under the Commercial Activity (CA) Program, as implemented in Office of Management and Budget (OMB) Circular A-76, its Supplemental Handbook of March 1996, and related guidance. This review guide supersedes the 28 February 1997 version by providing minor updates and a more usable format with additional space for comments.

2. Background

a. Since 1955, the general policy of the Executive Branch has been to rely on private enterprise to supply its needs. OMB Circular A-76, issued in 1966, and revised in 1967, 1976, 1979, and 1983 has provided the implementing guidelines in a permanent directive. The Circular stresses reliance on the private sector for goods and services. Exceptions to this general policy include:

- Inherently Governmental activities.
- Activities pertaining to national defense or intelligence security.
- Patient care at Government-owned hospitals.*
- Activities that maintain core capability.
- Research and development activities. *
- Activities for which no satisfactory commercial source is available.
- Functions with 10 or fewer full-time equivalents (FTEs).
- Activities where in-house performance meets or exceeds industry standards.
- Activities where in-house performance will result in lower cost.
- Activities with temporary authorization for in-house performance due to contractor default.

* Recurring and severable activities in support of these functions are subject to the general policy (including cost comparisons).

b. Subject to certain criteria, Department of Defense (DOD) organizations are required to conduct cost comparisons to determine whether it is more cost effective to convert work to or from in-house, contract, or interservice support agreement performance. The in-house cost estimates, developed in connection with the cost comparisons, serve as a basis for pricing the Government's offer to perform commercial functions.

c. OMB first issued detailed instructions for developing cost comparisons in OMB Circular A-76 Supplement No. 1- Cost Comparison Handbook of March 1979. However, the document was criticized, in part, because it prescribed a cost comparison process that was overly detailed, complex, and cumbersome. OMB attempted to address these and other concerns in its Revised Supplemental Handbook on "Performance of Commercial Activities," issued in March 1996. The Supplemental Handbook now provides a more uniform methodology for cost comparisons. CA policy implementation is provided in Part I of the Supplemental Handbook, and guidance on preparing the cost comparison estimates is provided in Part II.

d. The Navy implements and manages the CA Program with OPNAV Instruction 4860.7C, which was recently updated to incorporate guidance provided in the Revised Supplemental Handbook. As of June 1999 the Marine Corps has not made a similar update to Order 4860.3D, and therefore will manage the CA Program using OMB Circular A-76, the Supplemental Handbook, and interim guidance.

e. OMB Circular A-76 and the Supplemental Handbook require an independent review of the in-house cost estimate. The independent review should be performed by an Independent Review Officer (IRO) or designee. While the IRO must be a Government employee, contractors may be designated to perform the independent review. The IRO or designee, hereafter generally referred to as the independent reviewer, should be a qualified person from an impartial activity that is organizationally independent of the commercial activity being studied and the organization preparing the cost comparison. Specific guidance on who may serve as the IRO or designee is provided in OPNAV Instruction 4860.7C. The Marine Corps may provide similar guidance when Order 4860.3D is updated.

f. The independent reviewer must use current guidance when reviewing CA cost estimates. In the past, Navy and Marine Corps provided updated CA guidance through messages or letters known as "program advisories." Before beginning an independent review, the independent reviewer should check the appropriate Navy or Marine Corps internet site, or call the appropriate Navy or Marine Corps Review Hot Line phone numbers listed in Section A. 3.d. of this guide to ensure they have a copy of all current CA guidance.

3. Scope

- a. This review guide provides background information and procedural guidance for reviewing Navy and Marine Corps cost estimates prepared under the CA Program. The independent reviewer should perform the steps in this guide to develop an informed opinion on whether the in-house cost estimates are current, reasonable, and complete; and whether estimates conform with OMB Circular A-76, the Supplemental Handbook, and related guidance.
- b. The independent reviewer should review documentation supporting the cost estimates, including the Management Plan, Most Efficient Organization (MEO), performance work statement (PWS) and solicitation. In order to remain independent, the independent reviewer must not participate in the preparation of these documents. Cost estimates should be traced to accounting records and other supporting documentation.
- c. The independent reviewer should be notified at least 30 days before the reviews are scheduled to start. However, organizations are strongly encouraged to request review assistance as soon as they have an approved PWS, a Management Plan certified as reflecting the Government's MEO, and a target date for bid opening. In most cases, independent reviews of a single function CA study should take no longer than 30 days or 60 days for a multi-function study.
- d. Before bid opening, the contracting officer must have in-house cost estimates certified by the IRO. Consequently, independent reviewers should immediately bring discrepancies or omissions to the attention of the organization conducting the cost comparison so it can take appropriate action. Guidance in the "Managerial Cost Accounting Concepts and Standards for the Federal Government," Statement of Recommended Accounting Standards Number 4, may be helpful in resolving some discrepancies. Also, the Chief of Naval Operations (CNO) and Commandant of the Marine Corps (CMC) have established Hot Lines to resolve differences in interpretation of cost comparison policy. To use the Hot Lines for problem resolution, an official from the organization conducting the cost comparison and the independent reviewer must: (1) agree on the facts involved, (2) agree to follow guidance received, (3) obtain Hot Line resolution via a conference call, and (4) document the call and the resolution obtained. The Hot Line numbers are:

	<u>COMMERCIAL</u>	<u>DSN</u>
CNO (N465)	(703) 601-1614	329-1614
CMC (LR)	(703) 614-4760/2644	224-4760/2644

e. Care must be exercised to protect the confidentiality of in-house cost estimates. All CA studies are sensitive, and in-house cost estimates are to be held in strictest confidence until after bid opening. This means keeping working papers and related documents under lock and key. If working papers or related documents must be mailed, they should be transmitted in a double envelope. The inner envelope will state who should receive it and that it should not be opened in the mail room.

4. Review Objectives. The general objectives of the independent review are to:

a. Ensure that the data contained in the Management Plan reasonably establish the Government's ability to perform work requirements of the PWS within the resources provided by the MEO.

b. Ensure that all costs entered on the Cost Comparison Form (CCF) are fully justified and calculated in accordance with the procedures described in Part II of the Supplemental Handbook.

5. Independent Review Certification. Once the review is completed, the IRO will sign the cost comparison form, prepare a certification letter, and issue both to the organizational commander or other appropriate official. (A sample cost comparison form is located at Appendix A and a sample certification letter is located at Appendix B.) A copy of the form and letter should also be sent to the Chief of Naval Operations (N465) at 2000 Navy Pentagon, Washington, DC 20350-2000 or Headquarters Marine Corps (LR) at FOB 2, Navy Annex, Washington, DC 20380-1775, as appropriate. The certification letter should contain a statement of positive assurance on significant items tested and negative assurance on significant items not tested. For computer generated data, a statement of positive or negative assurance must also be included, particularly as to the reviewer's opinion of computer-processed reports cited as source documentation. To ensure the IRO has a sufficient basis to certify the cost estimates, the independent review contractor should provide the information listed in Appendix C, including the sample certification letter.

6. Internal Controls. This review guide is designed to test whether cost estimates are justified and properly calculated but not the reliability of underlying internal accounting controls. The guide should provide the independent reviewer with a reasonable degree of assurance that the costs estimates were prepared in accordance with CA policy and guidance.

7. Cost Comparison Software. CA cost comparisons may be prepared manually or with computer software. Within DOD, most CA cost comparisons will be developed using a software program called "OMB Circular A-76 Cost Comparison System," better known as COMPARE. The COMPARE software was developed by the U.S. Air Force and is authorized for use by the Services. Audits of the software by the Army Audit Agency and the Air Force Audit Agency concluded that COMPARE computations and reports adequately document costs in accordance with CA Program guidance.

8. General Instructions

- a. This guide provides general instructions for evaluating CA cost estimates for Navy and Marine Corps activities. The review steps in this guide are not intended to be restrictive or serve as a substitute for initiative or judgment. The review steps present one method of accomplishing the review objectives. If a particular step is not applicable or appropriate in the judgment of the independent reviewer, it should be annotated next to the review step or be cross-referenced to a working paper that adequately supports omission of the step.
- b. Section B of this guide provides guidance for a preliminary review to determine if estimates are substantially complete and ready for review. Independent reviewers should evaluate the basis for developing the estimate and the adequacy of supporting documentation.
- c. Section C of this guide describes in detail the review work that must be done.
- d. Sections B and C provide space for each review step to be answered by the independent reviewer/contractor and the IRO/Naval Audit Service representative. When the review step cannot be fully answered in the space provided, the guide should be cross referenced to supporting working papers that fully document the results. While it may be possible to answer some steps with simply a yes or no response, most review responses should provide sufficient detail and support to allow a third party to understand the depth of review conducted and the results. Appendix D provides a suggested format for tracking the identification and resolution of issues or concerns raised during the independent review.

9. Working Papers. Working papers are essential records that should be prepared and maintained to support the work performed, descriptions of records examined, and any significant conclusions and judgments. Working papers should contain descriptions of the review objectives, scope, and any sampling methodology used.

10. References. The pertinent references follow. The (UR) annotation indicates the reference is under revision.

- OMB Circular A-76, “Performance of Commercial Activities,” August 1983
- OMB Circular A-76, Revised Supplemental Handbook – “Performance of Commercial Activities,” March 1996
- OMB Circular A-94, “Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs,” October 1992

- 5 CFR (Code of Federal Regulations) Part 550 - Pay Administration (General)
- Federal Acquisition Regulation
- Defense Federal Acquisition Regulation Supplement
- Navy Acquisition Procedures Supplement or other agency specific guidance
- Federal Accounting Standards, particularly the Statement of Recommended Accounting Standards Number 4
- DOD Directive 4100.15, "Commercial Activities Program," March 1989 (UR)
- DOD Instruction 4100.33, "Commercial Activities Program Procedures," September 1985 (UR)
- DOD Instruction 4000.19, "Interservice and Intragovernmental Support," August 1995
- Secretary of the Navy Instruction 4860.44F, "Commercial Activities," September 1989 (UR)
- OPNAV Instruction 4860.7C, "Navy Commercial Activities Program," June 1999
- Marine Corps Order 4860.3D, "Commercial Activities Program," January 1992 (UR)

Section B

Preliminary Review

1. Background. The CA preliminary review is intended to determine whether the cost comparison is ready for review. Specifically, the purpose of this section is to determine whether: (1) documentation is complete and ready for review, (2) documentation is generally acceptable and provides an “audit trail” for detailed cost review, and (3) the cost estimates are substantially in compliance with OMB Circular A-76, the Supplemental Handbook, and related guidance.

2. Examples of Potential Problems. Some of the more common problems associated with the preliminary review are provided as examples below.

- a. The function/business unit under study was not approved and announced to Congress by the CNO or CMC.
- b. The MEO was not consistent or compatible with the PWS, or there was inadequate documentation that the MEO could accomplish work required in the PWS.
- c. The Quality Assurance Surveillance Plan (QASP) was inadequate
- d. The CCF contained errors or omissions or was not adequately documented.

3. Objectives

- a. Identify potential problem areas related to the CCF.
- b. Determine whether the PWS defines workload adequately and provides a reasonable basis for comparing in-house, contract and Interservice Support Agreement (ISSA) costs.
- c. Determine whether the QASP adequately documents how evaluations are to be accomplished, the frequency of evaluations, and other information relative to the surveillance.

d. Determine whether the organization adequately documented that the certified MEO was developed as the result of a thorough management study and that the organization is able to perform all the requirements of the PWS.

4. Review Steps. The following preliminary test checks must be made before further review work is undertaken. Any unsatisfactory condition which may result in a significant or material delay is sufficient reason to suspend the review. The purpose of the preliminary review is to identify problems that may require command action before beginning the review of cost estimates. Documentation should support the cost estimates without further explanation. The preliminary review must not start until this documentation is available and the reviewer is thoroughly familiar with OMB Circular A-76, the Supplemental Handbook, and appropriate Navy or Marine Corps guidance. The command must provide the independent review contractor and Naval Audit Service certification official with the following documents, in hard copy, at least 7 work days prior to commencement of the independent review:

- CNO approval to conduct a cost study (if applicable)
- CNO approval to exclude part of function studied (if applicable)
- Certified contractible PWS
- Management Plan certified as reflecting the Government's MEO and conforming to CA Program guidance
- Cost Comparison Form
- Position descriptions supporting the MEO

The following preliminary review steps should be followed:

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Section B: Preliminary Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<u>Preliminary Review</u> (1) Determine that the required documents identified in paragraph 4 (prior page) are available and ready for review.			
(2) Verify that the proposed CA action (for more than 45 civilian employees per Title 10, U.S. Code, Section 2461) was announced to Congress by CNO or CMC and that approval was granted to conduct a cost comparison.			
(3) Detect significant deviations from OMB Circular A-76 and related guidance. (a) Determine whether the Cost Comparison Form was developed using the COMPARE computer software program, some other program, or manually.			

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Section B: Preliminary Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) Confirm that the cost analysis has been prepared for at least a 3-year performance period.			
(c) Analyze budget information for the function/business unit under study to determine whether there are any significant changes in workload or mission that should be reflected in the PWS. As a minimum, first year of performance should be compared to recent historical costs.			
(d) Determine whether all organizational elements supporting the CA are identified and costed. Compare historical cost reports by expense element to identify potential omissions.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(e) Determine whether all relevant conversion costs have been identified and addressed in the cost comparison, e.g., have relocation and training costs been considered.			
(f) Review standard cost factors used in estimating Government costs and determine whether they are prescribed in Supplemental Handbook, and other applicable guidance. (In some cases, actual data may be used in place of standard cost factors.)			

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Section B: Preliminary Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>(g) Evaluate the adequacy of audit trails and availability of supporting documentation. Verify that all assumptions, data, sources, and methods of cost accumulation are documented and available for review. Confirm that CNO or CMC approval has been obtained for any deviations from CA guidance. <u>NOTE</u>: Documentation should support the cost study without further explanation. (OMB Circular A-76)</p>			
<p><u>Performance Work Statement (PWS)</u></p> <p>(4) Confirm that the responsible contracting officer reviewed and approved the PWS as a contractible document that provides an adequate basis for estimates of in-house, contractor or ISSA operations.</p>			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(5) Determine whether the PWS accurately reflects the actual Government requirement, stating adequately <u>what</u> is to be done without prescribing <u>how</u> it is to be done, and whether the requirement was thoroughly analyzed and broken down into all its parts and subparts.			
(6) Determine whether the work unit definitions in the PWS provide a reasonable basis for preparing the in-house estimate and bid. Do workload figures agree with historical workloads or do they represent realistic projections of future workloads? The PWS <u>should not</u> address workloads and missions not currently being accomplished unless they will be accomplished and funded in the future under an in-house method of operation.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(7) Determine whether the PWS provides performance standards that conform with the historical performance or with <u>formally approved</u> changes in the method of operation. The standards should provide for a comparable level of performance under in-house, contractor, or ISSA operation, and should be consistent with proposed in-house staffing, resources, and the quality assurance plan. <u>NOTE</u> : If the PWS requires the contractor or ISSA to provide equipment or facilities, ensure that documentation shows this is the most cost effective alternative.			
(a) Ensure that the PWS establishes measurable performance standards.			

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Section B: Preliminary Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) Ensure that the PWS identifies reasonable acceptable quality levels that can be met by the Government, contractor or ISSA.			
(8) Ensure that the PWS agrees with the bid schedules in Section B of the solicitation. If the solicitation is not internally consistent, the Government and offerors will <u>not</u> be costing the same work.			
(9) Ensure that the PWS clearly identifies any Government provided equipment, material, or facilities and any related maintenance responsibilities.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<u>Quality Assurance Surveillance Plan (QASP)</u> (10) Evaluate the adequacy of the QASP by determining whether performance indicators, primary method of surveillance, level of surveillance, acceptable quality levels, and performance criteria have been established.			
<u>Management Plan</u> (11) Review the Management Plan, the PWS, and the MEO to verify that the commanding officer certified an in-house cost estimate based on the most efficient and cost-effective organization.			
(12) Review and determine whether the Management Plan: (a) Used the PWS work requirements as the basis,			

Guide for Reviewing Cost Estimates
Section B: Preliminary Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) Identified PWS work to total resources required (i.e., personnel, time, dollars, supplies, equipment, and energy),			
(c) Discussed the disposition of capital and minor assets in the event the function is converted,			
(d) Documented the development and extent of the analytical process to record the new Government organization; and			
(e) Identified contract administration support including billets and overhead staffing support required.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>(13) If the cost analysis is based on a larger organization, review the correspondence file to ensure that the major claimant has approved additional resources required (billets, capital expenditures, etc.). <u>NOTE:</u> Approval should include billets and funding necessary to effect civilian conversion of military positions if the function remains in-house.</p>			

Guide for Reviewing Cost Estimates
Section B: Preliminary Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>(14) Interview personnel (if possible) and, analyze organizational charts, the Management Plan, the MEO, and the PWS to ensure that the CA workload can be identified with an existing or proposed organization. If the CA is not organizationally separate, but is identified with a type of work, it must be (a) <u>separable</u> from other functions so as to be suitable for performance by in-house, contract or ISSA; and (b) a <u>regularly needed</u> activity, not a one-time need of short duration.</p>			
<p><u>MEO</u></p> <p>(15) The MEO and the PWS must be consistent and compatible. Ensure the Management Plan clearly shows that:</p> <p style="padding-left: 40px;">(a) The MEO can accomplish the work required in the PWS.</p>			

Guide for Reviewing Cost Estimates
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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) The MEO considers all direct in-house labor and supervision necessary to accomplish the requirements in the PWS, including indefinite quantity work.			
(c) The MEO identifies changes (either increases or decreases) in personnel resources required to perform the PWS work.			
(d) The MEO was the basis for estimating civilian personnel costs.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(16) Evaluate the reasonableness of all assumptions made in determination of the MEO including: appropriate mix of pay grades; best mix of work schedules to accomplish the workload; utilization of full-time, part-time, and intermittent staffing; and use of overtime for unscheduled, seasonal, or peak workloads.			
(17) Ensure that all civilian labor was correctly converted to full-time equivalents.			
(18) Verify that military positions in the function/business unit under study were properly converted to civilian positions for the purpose of the cost comparison.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<u>Standard Factors</u>			
(19) Ensure that the most current CNO-issued standard inflation factors for pay, fuel, and other costs were used.			
(20) Review the standard pay tables in COMPARE to make sure they reflect the local civilian pay rates and Military Composite Rates.			
(a) Make sure that the effective dates of the civilian pay rates are not greater than the base year date; otherwise, they reflect future rather than base year costs.			
(b) Make sure that Military Composite Rates have been edited to reflect the Navy or Marine Corps rates.			
(21) Ensure that all factors have been correctly input or updated in the COMPARE program.			

Section C

Cost Comparison Review

1. Background. Most in-house cost estimates within the Department of Navy will be developed using COMPARE software. The software is designed to assist in developing, documenting, and comparing the relative cost of in-house, contractor, or ISSA performance. The software program simplifies the development and review of performance costs, but should not be used in isolation of existing CA Program guidance.

2. Examples of Potential Problems. Reviewers should be alert at all times for costs that have been omitted, overstated, or understated. There may be many reasons why the cost estimates are not correct. Some of the more common reasons are included in the examples below.

- a. Data entry errors occurred when entering information into COMPARE, or computation errors occurred when estimates were developed manually.
- b. Justifications for decisions were not adequately documented.
- c. Supporting documentation was not being maintained.
- d. Changes in scope in out-years was not reflected in the cost comparison.
- e. Common costs that would occur under in-house, contract or ISSA performance were included in the in-house cost estimate; for example, costs for materials or supplies to be provided to the contractor or ISSA were included in the in-house estimate.
- f. Inflation factors and depreciation/insurance rates were not properly applied to other specifically attributable costs associated with the function/business unit under study.
- g. Not all minor property items were identified and costed.
- h. Undocumented and unjustified costs were included in the cost estimate.

- i. A transition plan was costed but not discussed in the PWS, or one-time conversion costs were not allocated over at least three performance periods.
- j. Gain on disposal or transfer of assets was omitted from the in-house estimate.

3. Review Objectives. The review objectives are to:

- a. Evaluate the reasonableness of assumptions used in making estimates, and the adequacy of supporting documentation.
- b. Determine whether the in-house cost estimates are compatible with the workload prescribed in the PWS and with staffing identified in the certified MEO.
- c. Evaluate supporting documentation to ensure that in-house cost estimates are current, complete, reasonable, and in compliance with OMB Circular A-76 and related guidance.

4. Review Steps. The reference to line numbers below correspond to the Supplemental Handbook and its Generic Cost Comparison Form. However, if the COMPARE software was used to develop the cost estimates, some of the line numbers will be different and a cross reference is provided. The following review steps should be followed.

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Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 1: Personnel Costs. This line includes all direct and supervisory labor costs for accomplishing the workload requirements specified in the PWS. These costs include salaries, wages, fringe benefits, and other entitlements.			
(1) Ensure that all direct labor and supervision costs necessary to accomplish the requirements of the PWS are included. If in-house cost estimates include a mix of in-house labor and existing contract support, ensure that labor costs are included for contract administration and inspections.			
(2) Ensure that personnel costs identified include all salaries, wages, fringe benefits, and other entitlements, such as uniform allowances and overtime for the staffing levels and wage/grade classification identified in the MEO.			

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(3) Ensure that the number of FTEs needed to perform the requirement is based on 1,776 available hours for full or part-time employees and 2,007 available hours for intermittent employees. Also, ensure that annual pay is based on 2,087 hours.			
(4) Verify that each grade level required be costed at step 5 for GS employees and step 4 for WG employees.			
(5) Ensure that the fringe benefit rates used are in accordance with directives. Verify that the Federal Insurance Contribution Act (FICA) fringe benefit rate is applied only to salaries within the <u>current</u> annual salary limitation for FICA tax.			

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(6) Verify that all personnel costs have been escalated through the first period of performance. For out years, inflate only those personnel costs that are not subject to the Service Contract Act (Title 41, U.S. Code, Section 351-357) or the Davis-Bacon Act (Title 41, U.S. Code, Section 276a-276a-7).			
(7) Verify the application of inflation factors when the first performance period is less than a full year, and/or when the effective dates of pay raises fall on days other than the beginning or end of performance periods.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 2: Material & Supply Costs. This line includes all material and supply costs, such as raw materials, parts, subassemblies, components, and office supplies, required by the function/business unit under study. These costs should be based on historical usage or documented deviations from historical usage. Inflation must be taken into consideration.			
(1) Review the PWS and solicitation documents to determine which materials, if any, should be costed. Government Furnished Material (GFM) and Government Furnished Equipment (GFE) should be <u>excluded</u> from the cost comparison since the costs are common. <u>NOTE:</u> The PWS must clearly identify who is responsible for providing materials, supplies and equipment. The PWS should contain sufficient information to develop cost estimates for the Government, contractor, and ISSA performance.			

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Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(2) Ensure that material listed in supporting documentation is the same as what was listed in the PWS. If a level of operation is described, ensure that material and supply usage can be reasonably determined. Verify that any GFM/GFE is not included in the amount costed.			
(3) Review supporting documentation and determine whether historical usage data was derived from standard reports. If the supporting documentation includes material applicable and not applicable to the function/business unit under study, determine the reasonableness of the allocation.			
(4) Determine the basis used to estimate material quantities, e.g., historical data, statistical sample, or engineering performance standards. Make a determination of the reasonableness of estimates.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(5) Verify that inflation was calculated for the first performance period. If the PWS calls for economic adjustments of material costs in out years, inflation will <u>not</u> be figured for the out years.			
(6) Ensure that appropriate supply chain markup costs are included for materials obtained through Government sources of supply.			

**Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review**

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 3: Other Specifically Attributable Costs. This line includes all costs, except personnel and material related costs, which are 100 percent attributable to the function/business unit under study. Common costs that would be the same, whether the function is performed in-house or by contractor/ISSA, should be identified and excluded from the cost comparison.			
<p>1. <u>Depreciation.</u> Depreciation represents the cost of ownership and the consumption of an asset's useful life. Depreciation costs should be calculated by deducting the residual value of the asset from the acquisition cost and adding any capital improvements to the acquisition cost.</p> <p>(a) Ensure that all depreciation is computed using the straight-line method and that no asset costing less than \$5,000 is included in the listing of assets depreciated.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) Capital asset useful life is based on facility categories (Supplemental Handbook, Part II, Chapter 2, par. D.2.f.) or equipment class guidelines (Supplemental Handbook, Appendix 3). If actual life has already exceeded or will exceed the useful life set by these standards during the performance period for any asset, ensure that procedures were followed for extending the useful life contained in the Supplemental Handbook, Part II, Chapter 2, par. D.2.e			
(c) Ensure that depreciation costs have not been inflated in any performance period.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>2. <u>Cost of Capital</u>. Cost of capital is a charge on the Government's investment in capital assets necessary to provide the product or service.</p> <p>(a) Ensure that the annual cost of capital is added to the depreciation cost of any asset costing more than \$5,000 acquired by the Government if the asset is:</p> <ul style="list-style-type: none"> ▪ Not provided for contractor/ISSA use. ▪ Purchased less than 2 years prior to the cost comparison date. ▪ Scheduled for purchase within the performance period. 			
<p>(b) Determine the total depreciable acquisition cost of new assets or, if acquired by transfer, the market value of assets. Verify that the cost of capital was computed by applying the nominal rate provided by OMB Circular A-94 to the determined total cost of the assets.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>3. <u>Rent</u>. Rent is the cost incurred for the use of non-Government assets, including equipment, buildings, and land.</p> <p>(a) Verify that all computed rental costs, on an allocated basis, are associated with the MEO. Any rental costs that apply to in-house and contractor/ISSA performance should be excluded.</p>			
<p>4. <u>Maintenance & Repair</u></p> <p>(a) Ensure that capital expenditures for major improvements or asset enhancements are not costed as maintenance and repair.</p>			
<p>(b) Ensure that only those assets required for in-house performance, but not furnished to the contractor/ISSA, are costed. Maintenance and repair costs for assets covered by rental fees should not be costed.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>5. <u>Utilities</u>. This category includes charges for fuel, steam, electricity, telephone, water, and sewage services <u>not</u> provided to the contractor/ISSA but required for in-house performance.</p> <p>(a) Determine the reasonableness of the basis, either metered or allocated, used to determine utility costs.</p>			
<p>6. <u>Insurance</u>. To the extent assets are not provided to the contractor/ISSA or that property losses may be assessed against a contractor/ISSA using Government space, facilities, or equipment, in-house casualty premiums must be computed.</p> <p>(a) Ensure that the casualty premium is computed using the standard factor of .005 times the net book value of equipment and facilities, plus the average value of material and supplies, in accordance with the Supplemental Handbook, Part II, Chapter 2, par. D.7.c.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) Ensure that personnel liability losses are computed by multiplying .007 times the Government's total personnel-related costs on Line 1 for each performance period. Also, make sure that additional liabilities assigned by the PWS that are not associated with personnel are computed by applying the standard .007 factor to the estimated liability ceiling identified in the PWS and included in the in-house cost estimate.			
<p>7. <u>Travel</u>. This covers the expected cost of in-house travel that would occur with Government performance but would not occur in contractor or ISSA performance.</p> <p>(a) Ensure that costs identified in this category were based on budgeted amounts or historical travel costs.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>8. <u>MEO Subcontract Costs</u>. This category covers work currently performed by contract that is included in the solicitation.</p> <p>(a) Verify that labor related costs for the Government's administration and inspection of the continued support contracts are included in Line 1.</p>			
<p>(b) Verify that the cost of the support contracts (including GFM/GFE and facilities not provided to the contractor/ISSA) are included in Line 3.</p>			
<p>(c) Make sure that the subcontract costs are escalated to the performance period and are adjusted (down) to offset for Federal income tax revenue to the Government.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>9. <u>Other Costs</u>. This is a general category for specifically attributable costs that do not properly fit into one of the other cost elements, but would change in event of contract/ISSA performance. Examples of other costs are: transportation costs, royalties, and purchased service packaging and crating, if not already included as part of the material and supplies cost on Line 2. Ensure these other costs are:</p> <p>(a) Not also covered under Line 4, Overhead Costs.</p>			
<p>(b) Verify that minor items not immediately consumed and not provided to the contractor/ISSA are included. Confirm that 10 percent of the total estimated replacement cost is allocated to each performance period.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 4: Overhead Costs. Operations overhead is defined as those costs that are not 100 percent attributable to the function/business unit under study, but are generally associated with the recurring management or support of the function/business unit. General and administrative overhead includes salaries, equipment, space, and other activities related to headquarters management, accounting, personnel, legal support, data processing management and similar common services performed outside the function/business unit under study but in support of the function/business unit.			
(1) Verify that overhead for each year of the performance period is calculated by multiplying Line 1, including fringe benefits, by 0.12 (12 percent).			
Line 5: Additional Costs (COMPARE Line 5, 6, & 7). This cost element includes costs not otherwise properly classified on Lines 1 through 4. Examples include office and plant rearrangements, transport, employee recruitment, training, and relocation expenses.			
(1) Verify that costs identified on this line are supported by a definition of the type of cost, a justification for its inclusion, and an explanation of the underlying assumptions and methods of computation.			
(2) Review the PWS and Management Plan and determine whether common costs that will continue under in-house or contractor/ISSA performance are not included in the cost estimate.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(3) Verify that all new investment by the Government in facilities and equipment is included in the capitalized cost of in-house performance and not as one-time costs.			
Line 6: Total In-house Costs (COMPARE Line 8) (1) Verify that the total amount was correctly added. (COMPARE software will sum the amounts correctly and list the total on <u>Line 8</u> .)			
Line 7: Contract/ISSA Price (COMPARE Line 9) No review steps required.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 8: Contract Administration Costs (COMPARE Line 10) (1) Verify that the costs identified on Line 8 do <u>not</u> include the cost of inspection and other administrative requirements that would be common to in-house, contract or ISSA performance.			
(2) Ensure that contract administration costs are limited to the personnel FTEs identified in Table 3-1 in the Supplemental Handbook.			
(3) Ensure that contract administration organization and grade structure are certified as being in compliance with applicable personnel regulations.			
Line 9: Additional Costs (COMPARE Line 11) (1) Review the supporting documentation for the additional costs. The support should describe the nature of the cost and why the cost will not be incurred when the function is performed in-house.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(2) Review the supporting documentation and determine whether it provides a definition of the cost, justification for inclusion, method of computation, and a detailed listing of the cost components (if applicable).			
(3) Ensure that standby costs of equipment and facilities being kept solely to maintain performance capability in case of contractor/ISSA failure are not charged to the contractor/ISSA cost.			
Line 10: One-time Conversion Costs (COMPARE Line 12) (1) Material related costs include transfer or disposal of material and supplies. (a) Review the PWS to determine whether or not material and supply inventories will be provided to the contractor/ISSA, disposed, or transferred to another in-house operation. Assess the reasonableness of this decision.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(b) If material and supply assets will be disposed or transferred to another in-house operation, then <ul style="list-style-type: none"> ▪ Review supporting documentation for material and supplies transferred to another Government facility and determine whether there is a valid need and the transfer is to the Government's benefit. 			
<ul style="list-style-type: none"> ▪ Review supporting documentation for material and supplies sent to disposal and confirm that no valid need exists and that disposal is to the Government's benefit. 			
(c) Validate the cost associated with transferring inventories. Ensure that only one-time transfer costs are included (physical inventory, packing, crating, transportation, etc.).			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
<p>(2) Labor related costs include health benefit costs, severance pay, homeowner assistance, relocation and retraining expenses, and initial contractor/ISSA security clearance requirements.</p> <p>(a) Confirm that accumulated annual leave (or terminal leave) is not included as a one-time conversion cost.</p>			
<p>(b) Review the reduction in force cost and confirm that related expenses can reasonably be expected to be paid out.</p> <ul style="list-style-type: none"> ▪ Confirm that estimated severance pay is calculated at 4 percent of the annual basic pay (performance period 1 only) entered on Line 1, without fringe benefits. 			
<ul style="list-style-type: none"> ▪ Evaluate the reasonableness of estimated employee homeowner assistance, relocation, and retraining costs. 			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(c) Ensure that recurring requirements necessitated by in-house attrition or by employees that may be hired under the Right-of-First-Refusal are not included.			
<p>(3) Other costs include any costs resulting from actions taken as a result of conversion. An example is a penalty incurred for termination of a rent or lease agreement. Additionally, this may include plant rearrangements and special physical inventories. Special physical inventories should reflect hours required based on historical cost or staffing standards.</p> <p>(a) Confirm that any special physical inventory is not double costed as part of the inventory transferred. Movement of materials to another location to facilitate conversion are also included in this category.</p>			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 11: Gain from Disposal/Transfer of Assets (COMPARE Line 13) (1) Review the PWS and Management Plan to determine whether the command has determined whether there is an economic advantage to transfer or disposal of MEO assets.			
(2) If the cost of transfer exceeds the net book value of the asset, resulting in a net loss, ensure that no such losses are assessed against the contractor/ISSA.			
(3) Review gains identified. A net gain to the Government as a result of conversion to contract/ISSA should equal the net book value of the asset less any cost incurred to remove the asset.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Line 12: Federal Income Tax (COMPARE Line 14) (1) Verify that the appropriate business code has been identified from OMB Circular A-76 Revised Supplemental Handbook, Appendix 4.			
(2) Verify that the appropriate tax rate percentage has been identified and will be applied at bid opening.			
Line 13: Total Contract/ISSA (COMPARE Line 15) (1) Total of pricing data provided at bid opening plus adjustments.			
Line 14: Conversion Differential (COMPARE Line 16) (1) Verify that a minimum cost differential of the lesser of 10 percent of Line 1 (personnel costs) or \$10 million over the performance period has been identified.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
(2) When a cost comparison involves a mix of existing in-house, contract/ISSA, new or expanded requirements, or assumes full or partial conversions to in-house performance, each portion is addressed individually. Verify that the total minimum differential is the sum of the calculated minimum differential for each portion.			

Guide for Reviewing Cost Estimates
Section C: Cost Comparison Review

Guide Review Step	Comp Date	Independent Reviewer/Contractor Comments (W/P Ref)	IRO/NAVAUDSVC Comments (W/P Ref)
Final Certification Steps:			
(1) Determine that all changes recommended by the independent reviewer have been made to the government's cost estimate or are otherwise adequately resolved.		N/A	
(2) Verify that the PWS reviewed is the same as that which appears in the contract solicitation.		N/A	
(3) Sign the Cost Comparison Form.		N/A	
(4) Prepare and send a certification letter with the signed Cost Comparison Form as an enclosure.		N/A	

Appendix A

Sample Cost Comparison Form

COST COMPARISON OF
IN-HOUSE VS. CONTRACT OR ISSA PERFORMANCE
As of:

ACTIVITY IDENTIFICATION

AGENCY: DEPARTMENT OF THE NAVY
LOCATION: ANYWHERE, US (NAV)

STUDY TITLE: SAMPLE OF COMPARE
STUDY NUMBER: 12345

PERFORMANCE COSTS

(Rounded to nearest dollar)

-----PERFORMANCE PERIODS-----

	First	Second	Third	Additional	Total
<u>IN-HOUSE PERFORMANCE COSTS</u>					
1. Personnel Costs	0	0	0	0	0
2. Material & Supply Costs	0	0	0	0	0
3. Other Specifically Attributable Costs	0	0	0	0	0
4. Overhead Costs	0	0	0	0	0
5. Cost of Capital	0	0	0	0	0
6. One-Time Conversion Costs	0	0	0	0	0
7. Additional Costs	0	0	0	0	0
8. Total In-house Costs	0	0	0	0	0

CONTRACT OR ISSA PERFORMANCE COSTS

9. Contract or ISSA Price					
10. Contract Administration	0	0	0	0	0
11. Additional Costs	0	0	0	0	0
12. One-time Conversion Costs	0	0	0	0	0
13. Gain on Assets	0	0	0	0	0
14. Federal Income Tax (Deduct)					
15. Total Contract or ISSA Costs					

DECISION

16. Minimum Conversion Differential					0
17. Adjusted Total Costs of In-house Performance					0
18. Adjusted Total Cost of Contract or ISSA Performance					
19. Decision - Line 18 Minus Line 17					
20. Cost Comparison Decision:					

Accomplish In-house:
Accomplish By Contractor:

REMARKS:

- For details on each cost comparison line, please see the cost comparison study documentation and basic data worksheets.
- Adjusted Total Cost of In-house Performance (Line 17). This entry reflects the sum of Line 8 and a cost differential (when required) to account for Cost Comparisons involving expansions, new requirements, and Contract to In-house Conversion (ENRC).
- Adjusted Total Cost of Contract or ISSA Performance (Line 18). This entry reflects the sum of Line 15 and a cost differential (when required) to account for in-house-to-contract conversions.

COST COMPARISON OF
IN-HOUSE VS. CONTRACT PERFORMANCE

SIGNATURES PAGE

AGENCY: DEPARTMENT OF THE NAVY

STUDY TITLE: _____

LOCATION: _____

STUDY NUMBER: _____

21. In-house MEO Certification

"I certify that, to the best of my knowledge and belief, the in-house organization reflected in this cost comparison is the most efficient and cost effective organization that is fully capable of performing the scope of work and tasks required by the Performance Work Statement. I further certify that I have obtained from the appropriate authority concurrence that the organization structure, as proposed, can and will be fully implemented -- subject to this cost comparison, in accordance with all applicable Federal regulations."

Certified By: _____ Date: _____

Office and Title

22. In-house Cost Estimate Prepared By: _____ Date: _____

Office and Title

23. Independent Review Certification:

"I certify that I have reviewed the Performance Work Statement, Management Plan, In-house cost estimates and supporting documentation available prior to bid opening, and to the best of my knowledge and ability, have determined that: (1) the ability of the in-house MEO to perform the work contained in the performance Work Statement at the estimated costs included in this cost comparison is reasonably established, and (2) that all costs entered on the cost comparison have been prepared in accordance with the requirements of OMB Circular A-76 and its Supplement."

a. Review *prior* to entry of Contract/ISSA Price on Line 9.

Independent Review Contractor: _____ Certified By: _____ Date: _____

Office and Title

Government Certification Official _____ Certified By: _____ Date: _____

Office and Title

b. Review *after* entry of Contract/ISSA Price on Line 9.

Certified By: _____ Date: _____

Office and Title

24. Cost Comparison Completed By: _____ Date: _____

25. Contracting Officer: _____ Date: _____

26. Tentative Cost Comparison
Decision Announced By: _____ Date: _____

27. Appeal Authority (if applicable): _____ Date: _____

COST COMPARISON FORM (CCF)
(CORRELATION OF CCF LINES NUMBERS TO
REVISED SUPPLEMENT TO OMB CIRCULAR A-76)

OMB has granted the Air Force permission to deviate from the cost comparison forms in the revised Supplemental Handbook to OMB Circular A-76. Provided below is a correlation between the line numbers used by the COMPARE Cost Comparison Form and those line numbers established in the OMB Handbook for the Generic Cost Comparison Form (GCCF) and the Streamlined Cost Comparison Form (SCCF).

1. Line 1, Personnel.
 - a. GCCF. Correlates with Line 1 (Personnel).
 - b. SCCF. Correlates with Line 1 (Personnel).
2. Line 2, Material & Supply.
 - a. GCCF. Correlates with Line 2 (Material and Supply).
 - b. SCCF. Correlates with Line 2 (Material and Supply).
3. Line 3, Other Specifically Attributable.
 - a. GCCF. Correlates with Line 3 (Other Specifically Attributable).
 - b. SCCF. Correlates with Line 4 (Other), only as pertains to MEO subcontract costs (i.e., contracts which will not be made available to a potential contractor).
4. Line 4, Overhead.
 - a. GCCF. Correlates with Line 4 (Overhead).
 - b. SCCF. Correlates with Line 3 (Overhead).
5. Line 5, Cost of Capital.
 - a. GCCF. Correlates with Line 3 (Other Specifically Attributable) as pertains to Cost of Capital.
 - b. SCCF. Does not apply to streamlined cost comparisons.
6. Line 6, One-Time Conversion (ENRC).
 - a. GCCF. Correlates with Line 5 (Additional) as pertains to one-time additional costs associated with expansions, new requirements, and contract to in-house conversions.
 - b. SCCF. Does not apply to streamlined cost comparisons.
7. Line 7, Additional.
 - a. GCCF. Correlates with Line 5 (Additional), except for one-time additional costs which are documented on GCCF Line 6 (One-Time Conversion (ENRC)).
 - b. SCCF. Does not apply to streamlined cost comparisons.
8. Line 8, Total In-house.
 - a. GCCF. Correlates with Line 6 (Total In-house).
 - b. SCCF. Correlates with Line 5 (Total In-house).
9. Line 9, Contract/ISSA Price.
 - a. GCCF. Correlates with Line 7 (Contract/ISSA Price).
 - b. SCCF. Correlates with Line 6 (Contract and ISSA Price Range).
10. Line 10, Contract Administration.
 - a. GCCF. Correlates with Line 8 (Contract Administration).
 - b. SCCF. Correlates with Line 7 (Contract Administration).
11. Line 11, Additional.
 - a. GCCF. Correlates with Line 9 (Additional).
 - b. SCCF. Does not apply to streamlined cost comparisons.
12. Line 12, One-Time Conversion.
 - a. GCCF. Correlates with Line 10 (One-time Conversion).
 - b. SCCF. Does not apply to streamlined cost comparisons.
13. Line 13, Gain on Assets.
 - a. GCCF. Correlates with Line 11 (Gain on Assets).
 - b. SCCF. Does not apply to streamlined cost comparisons.

14. Line 14, Federal Income Tax.
 - a. GCCF. Correlates with Line 12 (Federal Income Taxes).
 - b. SCCF. Correlates with Line 8 (Federal Taxes).
15. Line 15, Total Contract or ISSA.
 - a. GCCF. Correlates with Line 13 (Total Contract or ISSA0).
 - b. SCCF. Correlates with Line 9 (Total Contract and ISSA Price Range).
16. Line 16, Minimum Conversion Differential.
 - a. GCCF. Correlates with Line 14 (Minimum Conversion Differential).
 - b. SCCF. Correlates with Line 10 (Minimum Conversion Differential).
17. Remaining Lines. Remaining are self explanatory.

Appendix B

Sample Certification Letter

From: *(Independent Review Officer)*

To: Commanding Officer, *(Activity Name)*

Subj: COMMERCIAL ACTIVITY COST COMPARISON REVIEW OF *(FUNCTION)* AT
(LOCATION)

Ref: (a) *(Activity Request Letter)*

(b) *(CNO or CMC guidance)*

Encl: (1) (Certified Cost Comparison Form)

1. We have completed the review requested in reference (a). The objective of the review was to determine whether estimates on the Cost Comparison Form, dated *(date)*, were current, reasonable, complete, and complied with OMB Circular A-76, its supplement, and reference (b). Our review began on *(date)* and was completed on *(date)*.
2. Our review included the tracing of cost estimates to accounting records and other supporting documentation; however, we did not evaluate the adequacy of internal controls or the accuracy of accounting or computer records. We evaluated the PWS to ensure it adequately defined the workload and verified that the required management plan supported the MEO staffing level. We reviewed the cost estimates to determine whether the estimates were compatible with the workload in the PWS. The review was predicated on the Commanding Officer's certification of the MEO.
3. Our examination would not necessarily disclose all deficiencies; however, nothing came to our attention during the review that caused us to believe the cost comparison was not in compliance with OMB Circular A-76 and reference (b) for those untested transactions.
4. The review certification may be invalidated by changes to the solicitation occurring after signature but prior to bid opening; therefore, please furnish subsequent modifications.
5. The cooperation and courtesies extended during this review are very much appreciated. If you have any questions comments, please call us at *(phone number)*.

(SIGNED)

Copy to:
CNO (N465) or
HQMC (LR)

Appendix C

Independent Review Contractor Requirements

In order to ensure the Independent Review Officer (IRO) has a sufficient basis to certify the In-house Cost Estimates, independent review contractors should provide the IRO with the following:

- Ongoing communication as to review progress
- Cross-referenced review guide (provided in phases as completed)
- Access to working papers supporting the review
- Copy of concerns/recommended changes provided to preparers of the in-house estimate and a statement of action taken (example at Appendix D)
- Signed certification on contractor letterhead as follows:

Independent Review Officer,

We have reviewed the Performance Work Statement, Management Plan, In-house Cost Estimate, and supporting documentation available prior to bid opening for (*function under study and location*). The objective of our review was to determine whether estimates on the Cost Comparison Form dated (*date*) were current, reasonable, complete, and complied with OMB Circular A-76, its supplement, and current (*CNO or CMC*) guidance.

Our review included the tracing of cost estimates to accounting records and other supporting documentation; however, we did not evaluate the adequacy of internal controls or the accuracy of accounting or computer records. We evaluated the PWS to ensure it adequately defined the workload and verified that the required management study supported the MEO staffing level. We reviewed the cost estimates to determine whether the estimates were compatible with the workload in the PWS. Our review was predicated on the Commanding Officer's certification of the MEO. All discrepancies or concerns noted in this review were brought to the attention of personnel responsible for the in-house estimate and have been satisfactorily resolved.

Based on our review, we believe the Management Plan reasonably established the Government's ability to perform work requirements of the PWS within resources provided by the MEO and all costs entered on the Cost Comparison Form are justified and calculated in accordance with OMB Circular A-76, its Supplement, and (*CNO or CMC*) guidance.

Signed: _____ Date: _____

Title: _____

Appendix D

Action Item Tracking Form

ITEM NUMBER:

INDEPENDENT REVIEW CONTRACTOR

Team Member Name:

Date:

Deficiency / Concern Description:

PROPOSED SOLUTION:

CA / MANAGEMENT TEAM

Team Member Name:

Date:

Comments / Action:

INDEPENDENT REVIEW CONTRACTOR

Team Member Name:

Date:

Comments:

INDEPENDENT REVIEW OFFICER

Team Member Name:

Date:

Comments: